



CITY COUNCIL

CITY AND COUNTY OF HONOLULU
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FOR IMMEDIATE RELEASE
December 28, 2005

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Council Chair Donovan M. Dela Cruz and Vice-Chair Ann Kobayashi **Introduce Legislation Aimed at Real Property Tax Relief** *Proposed bills base tax breaks on length of residence and household income*

HONOLULU, HI – Honolulu City Council Chair Donovan M. Dela Cruz and Council Vice-Chair Ann Kobayashi have introduced three bills aimed at alleviating some of the tax burden caused by soaring real property assessments.

Bill 80 amends the county tax credit ordinance introduced by Council Chair Dela Cruz and Vice-Chair Ann Kobayashi last year by increasing the maximum qualifying income from \$50,000 to \$75,000. The bill entitles homeowners to a real property tax credit equal to the amount by which the taxes calculated for the property exceeds four percent of the title holders' income provided they meet certain provisions. The application for this credit must be filed by a property owner on or before September 30.

Bill 81 allows a homeowner to dedicate real property as the owner's home for a period of 10 years, provided that: 1) the dedicated real property is limited to that used by the owner; 2) the real property qualifies and continues to qualify for a home exemption during the dedication period; and 3) the real property is not transferred to a new owner by gift, sale, devise or operation of law. Under this dedication, any increase over the prior year in the assessed value of real property dedicated to residential use shall not exceed the rate of increase in the consumer price index of the previous calendar year. The petition for dedication must be filed by September 1, and does not preclude any increase attributable to new improvements constructed on the land subsequent to the dedication.

(more)

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Bill 82 provides an immediate, one-time real property tax credit against the taxes owed for the owner's home for the 2007 tax year, provided that during the 2005 calendar year: 1) the owner's household income did not exceed the median income as established by the United States Housing and Urban Development for the City and County of Honolulu; 2) neither the owner nor any member of the owner's household owned any other real property anywhere; and 3) the homeowner's real property qualified for a home exemption. The amount of the tax credit is undetermined at this time. The application for this credit must be filed by a property owner on or before May 1, 2006.

"We are deeply concerned about the strain that rising property taxes have had on working families and those on fixed incomes," said Honolulu City Council Chair Donovan M. Dela Cruz. "These proposed bills are a step toward substantial relief."

"We realize the increase in property tax assessments have an effect on everyone, however we must focus our attention on those who are facing extreme hardship due to a robust housing market," said Honolulu City Council Vice-Chair Ann Kobayashi. "Our retired seniors on fixed incomes, single parents and low-income families will have trouble making ends meet in the coming year, and these bills will provide the relief they need."

Honolulu City Council Chair Donovan M. Dela Cruz represents Council District 2, which includes Mililani Mauka, Wahiawa, Whitmore Village, Mokuleia, Waialua, Haleiwa, Waimea, Pupukea, Sunset Beach, Kahuku, Laie, Hauula, Punaluu, Kahana, Kaaawa, Kualoa, Waiahole, Kahaluu, Ahuimanu, and a portion of Heeia.

Honolulu City Council Vice-Chair Ann Kobayashi represents Council District 5, which includes a portion of Kapahulu and Kaimuki, Palolo Valley, St. Louis Heights, Manoa, Moiliili, McCully, Kakaako, and a portion of Ala Moana and Makiki.

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CITY COUNCIL
CITY AND COUNTY OF HONOLULU
HONOLULU, HAWAII

ORDINANCE _____

BILL 80 (2005)

A BILL FOR AN ORDINANCE

RELATING TO THE COUNTY TAX CREDIT.

BE IT ORDAINED by the People of the City and County of Honolulu:

SECTION 1. The purpose of this ordinance is to expand the availability of the real property tax credit.

SECTION 2. Section 5 of Ordinance 05-026 is amended to read as follows:

"SECTION 5. Section 8-13.2, Revised Ordinances of Honolulu 1990, as amended ("Real property tax credit established"), is amended by amending subsection (a) to read as follows:

"(a) An owner shall be entitled to a real property tax credit equal to the amount by which the taxes calculated for the property exceed four percent of the title holders' income, provided:

- (1) The owner has been granted the home exemption under Section 8-10.4;
- (2) The taxes owed for the tax year immediately succeeding the date of the application for the tax credit, exceed four percent of the title holders' combined income for the calendar year immediately preceding the date of the application;
- (3) The combined income of all title holders of the property for the calendar year immediately preceding the date of the application does not exceed ~~[\$50,000]~~ \$75,000;
- (4) No title holder owns any other real property anywhere during the applicable tax year;
- (5) The title holders have not violated Section 8-13.5; and
- (6) The amount of the tax after applying the credit shall not be less than the minimum tax required in Section 8-11.1(g)."



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SECTION 3. Ordinance material to be repealed is bracketed. New material is underscored. When revising, compiling, and printing this ordinance for inclusion in the Revised Ordinances of Honolulu, the revisor of ordinances need not include the brackets, bracketed material, or the underscoring.

SECTION 4. This ordinance shall take effect upon its approval.

INTRODUCED BY:

[Handwritten signature: Daniel J. Ho]
[Handwritten signature: Alan K. Kuyama]

DATE OF INTRODUCTION:

DEC 28 2005

Honolulu, Hawaii

Councilmembers

APPROVED AS TO FORM AND LEGALITY:

Deputy Corporation Counsel

APPROVED this _____ day of _____, 20 _____.

MUFU HANNEMANN, Mayor
City and County of Honolulu



CITY COUNCIL
CITY AND COUNTY OF HONOLULU
HONOLULU, HAWAII

ORDINANCE _____

BILL 81 (2005)

A BILL FOR AN ORDINANCE

RELATING TO REAL PROPERTY TAX VALUATIONS.

BE IT ORDAINED by the People of the City and County of Honolulu:

SECTION 1. Purpose. The purpose of this ordinance is to alleviate the tax burden on homeowners from escalating real property valuations.

SECTION 2. Section 8-7.5, Revised Ordinances of Honolulu 1990, as amended, is amended to read as follows:

"Sec. 8-7.5 [Certain lands dedicated for residential use.] Dedication of real property as the owner's home.

- (a) The term "owner" as used in this section means a person who is the fee simple owner of real property, or who is the lessee of real property whose lease term extends at least 10 years from the date of the petition.
- (b)
 - (1) [A special land reserve is established to enable the] The owner of any [parcel of land] real property within a hotel, improved residential, apartment, resort, commercial or industrial district [to] may dedicate such person's [land for residential use] real property for use as the owner's home for a 10-year dedication period and to have such person's [land] real property assessed at its value in residential use as provided herein; provided, that [(1)] : (A) the [land] dedicated real property shall be limited to [a parcel] that used by the owner only for [single family dwelling residential use; (2) the owner of the land dedicated shall use it as] the owner's home; [and (3) not more than one parcel of land shall be dedicated for residential use by any owner.] (B) the real property qualifies and shall continue to qualify for a home exemption during the period of dedication, and (C) the real property is not transferred to a new owner by gift, sale, devise, operation of law, or otherwise during the period of dedication in a way that disqualifies the property's home exemption.
 - (2) Any increase over the prior year in the assessed value of real property dedicated to residential use, including any applicable exemptions, to which the tax rate is applied for a tax year shall not exceed the rate of increase in the consumer price index of the previous calendar year. This limitation shall not preclude any increase attributable to new improvements constructed on the land subsequent to the dedication. "Consumer price index" means the consumer price index for Honolulu, all urban consumers,



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as published by the United States Department of Commerce.

- (c) (1) If any owner desires to [use such person's land for residential use] dedicate real property as the owner's home and to have [such person's land] it assessed at its value in this use as provided herein, the owner shall so petition the director [of finance] and declare in such person's petition that if such person's petition is approved, the owner will use such person's [land for single family dwelling residential use only and that such person's land so] dedicated [will be used] real property only as such person's home, and that the real property will continue to qualify for the home exemption.
- (2) Upon receipt of any such petition, the director [of finance] shall make a finding of fact as to whether the [land] real property described in the petition is being used by the owner [for single-family dwelling residential use] only [and] as the owner's home, and that it qualifies for the home exemption. If the finding is favorable to the owner, the director [of finance] shall approve the petition and declare the [land] real property to be dedicated.
- (d) The approval of the petition by the director [of finance] to dedicate shall constitute a forfeiture on the part of the owner of any right to change the use of or to otherwise disqualify such person's [land] real property for the home exemption for a minimum period of 10 years, automatically renewable thereafter for additional periods of 10 years subject to cancellation by either the owner or the director [of finance]. The director shall notify the owner in writing at the owner's address of record that the dedication period is expiring no later than 45 days prior to the expiration date.
- (e) (1) Failure of the owner to observe the restrictions on the use of such person's [land or the sale of the] real property shall cancel the special tax assessment privilege retroactive to the date of the dedication, or the latest renewal-10-year period, and all differences [in] between the amount of taxes that were paid and those that would have been due from assessment [in the higher use] without the limitation of the dedication shall be payable with a 10 percent per year penalty from the respective dates that these payments would have been due. Failure to observe the restrictions on the use means failure for a period of over 12 consecutive months to use the [land] real property in the manner requested in the petition or the overt act of changing the use for any period, or the [sale] transfer of the real property in violation of the dedication. Nothing in this subsection shall preclude the [county] city from pursuing any other remedy to enforce the covenant on the use of the [land] real property.



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- (2) The additional taxes and penalties, due and owing as a result of failure to use or any other breach of the dedication shall be a paramount lien upon the property as provided for by this chapter.
- (3) Notwithstanding any provision in this section to the contrary, the occurrence of any of the following shall cause the dedication to be cancelled without the imposition of any rollback taxes or penalties whatsoever: (A) the death of the owner; or (B) the taking of dedicated real property by a governmental entity.
- (f) The director [of finance] shall prescribe the form of the petition. The petition shall be filed with the director [of finance] by September 1st of any calendar year and shall be approved or disapproved by October 31st of that calendar year. If the petition is approved, the assessment based upon the use requested in the dedication shall be effective on October 1st of the same calendar year.
- (g) The owner may appeal any disapproved petition as in the case of an appeal from an assessment."

SECTION 4. Ordinance material to be repealed is bracketed; new material is underscored. When revising, compiling or printing this ordinance for inclusion in the Revised Ordinances of Honolulu, the revisor of ordinances need not include the brackets, the bracketed material, or the underscoring.



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SECTION 5. This ordinance shall take effect upon approval and apply to the tax years beginning July 1, 2007 and thereafter.

INTRODUCED BY:

Mustard 67
Don Kikayapha

DATE OF INTRODUCTION:

DEC 28 2005

Honolulu, Hawaii

Councilmembers

APPROVED AS TO FORM AND LEGALITY:

Deputy Corporation Counsel

APPROVED this _____ day of _____, 2006.

MUFI HANNEMANN, Mayor
City and County of Honolulu



CITY COUNCIL
CITY AND COUNTY OF HONOLULU
HONOLULU, HAWAII

ORDINANCE _____

BILL 82 (2005)

A BILL FOR AN ORDINANCE

RELATING TO REAL PROPERTY TAX CREDITS.

BE IT ORDAINED by the People of the City and County of Honolulu:

SECTION 1. Purpose.

The purpose of this ordinance is to provide a one-time real property tax credit to eligible taxpayers.

SECTION 2. One-time real property tax credit established. (a) A property owner shall be entitled to a one-time real property tax credit of \$_____ against the taxes owed for the owner's home for the 2007 tax year, provided that during the 2005 calendar year:

- (1) The owner's household income did not exceed the median income as defined in this ordinance;
 - (2) Neither the owner nor any member of the owner's household owned any other real property anywhere; and
 - (3) The subject real property qualified for a home exemption.
- (b) Approval of the application for a tax credit shall entitle the property owner to a credit only for the 2007 tax year and shall not be carried over to any subsequent year. Furthermore, the amount of the tax for the subject real property following application of the credit shall not be less than the minimum tax.

SECTION 3. Application and administration of the real property tax credit.

- (a) An application for a tax credit under this ordinance shall be filed by a property owner on or before May 1, 2006. The application form shall be as prescribed by the director, shall set forth the median income limits established by the United States Department of Housing and Urban Development for different household sizes for the City and County of Honolulu for calendar year 2005, and shall require the submittal of documents verifying the property owner's income for calendar year 2005. The application shall require the certification by the owner that the qualifications for the credit have been met.
- (b) The director shall require proof of total household income, which may include, but is not limited to, true copies of personal income tax returns, bank statements, or other financial records. The director may require proof of nonreceipt of income



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from relief programs such as supplemental security income, welfare, and unemployment compensation, and may require such authorization from the household to enable the director to fully verify household income. The applicant may refuse to provide such records, information or authorization. However, upon such refusal, the director may deny the application for a tax credit. Notwithstanding any provision to the contrary, there shall be no appeal from such a decision of the director to deny an application due to the applicant's refusal to provide records, information or authorization.

- (c) The director shall determine if the property owner qualifies for a tax credit on or before June 1, 2006 and shall notify the applicant in writing of the director's determination on or before June 30, 2006.
- (1) If an application for a tax credit is granted, the director shall apply the tax credit in two equal amounts to the two installments of taxes due.
- (2) If an application for a tax credit is denied, the director shall:
- (A) State the basis for denial;
- (B) Inform the applicant that except as otherwise provided in Section 3, the director's decision may be appealed; and
- (C) State the procedure and deadline for appeal.

SECTION 4. Appeal. Except as provided in Section 3(b), any person whose tax credit application is denied may appeal the decision in the manner provided pursuant to Section 8-13.4, Revised Ordinances of Honolulu.

SECTION 5. Penalties. Any person who: (1) files a fraudulent application or attests to any false statement with the intent to defraud the city or evade the payment of real property taxes or any part thereof; or (2) in any manner intentionally deceives or attempts to deceive the city, shall be guilty of a violation and be subject to a criminal fine of not more than \$2,000, shall have the credit revoked, and shall be responsible for paying the outstanding taxes due along with interest and penalties, if any.

SECTION 6. Definitions. As used in this ordinance:

"City" means the City and County of Honolulu.

"Director" means the director of the department of budget and fiscal services.



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"Household" means the association of persons who live in the same dwelling, sharing its furnishings, facilities, accommodations and expenses. The term does not include bona fide lessees, tenants, or roomers and boarders on contract.

"Household income" means the total income of all members of a household combined.

"Income" means the sum of federal adjusted gross income as defined in the Internal Revenue Code of the United States of 1954, as amended, and all nontaxable income, including but not limited to the amount of capital gains excluded from adjusted gross income, alimony, support money, nontaxable strike benefits, cash public assistance and relief (not including relief granted under this article), the gross amount of any pension or annuity benefits received (including Railroad Retirement Act benefits and veterans disability pensions), all payments received under the federal Social Security and state unemployment insurance laws, nontaxable interest received from the federal government or any of its instrumentalities, workers' compensation, the gross amount of "loss of time" insurance, nontaxable contributions to public or private pension, annuity or deferred compensation plans, federal cost of living allowances, and the deduction allowed for two-earner married couples under Section 221 of the Internal Revenue Code of the United States of 1954, as amended. "Income" does not include nonmonetary gifts from private sources, or surplus foods or other relief in kind provided by public or private agencies.

"Property owner" means as provided in Section 8-6.3, Revised Ordinances of Honolulu 1990, as amended.

"Qualified surviving spouse" means a person who:

- (1) Is the surviving spouse of a property owner who, at the time of death, was the property owner who was granted a tax credit under this article;
- (2) Is a transferee of the property directly from the deceased property owner or the estate thereof; and
- (3) Qualifies under this article for the tax credit on the same property.

"Median income" means the definition of median income, adjusted for household size, established by the United States Department of Housing and Urban Development for the City and County of Honolulu for calendar year 2005.



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SECTION 7. This ordinance shall take effect upon its approval and shall expire on June 30, 2007.

INTRODUCED BY

Handwritten signature: Daniel H. Hanemann
Handwritten signature: Alan K. Kiyama

DATE OF INTRODUCTION:

DEC 28 2005
Honolulu, Hawaii

Councilmembers

APPROVED AS TO FORM AND LEGALITY:

Deputy Corporation Counsel

APPROVED this _____ day of _____, 2006.

MUI HANNEMANN, Mayor
City and County of Honolulu